



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

**Date:** 10/13/2006

**GAIN Report Number:** E36129

## EU-25

### Agricultural Situation

## EU Energy Crop Premium to be Extended to all Member States

## 2006

**Approved by:**

David Leishman, U.S Mission to the EU  
EU-25

**Prepared by:**

Karin Bendz

---

**Report Highlights:**

The European Commission has proposed to extend the energy crop premium Carbon Credits to all New Member States (NMS) starting 2007. Currently 8 of the 10 NMS are excluded from this aid since they have chosen to apply the Single Area Payment Scheme (SAPS). The Commission also proposes to increase the minimum guaranteed area (MGA) from 1.5 million ha to 2.0 million ha.

In 2004 the total area for Carbon Credits was around 300,000 ha; the area increased to 1.2-1.3 million ha in 2006. It is possible that there will be a large interest for Carbon Credits in the NMS since the 45 Euro premium would be relatively high compared to the EU support they currently receive as direct payments.

---

Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Brussels USEU [BE2]  
[E3]

The CAP Reform of 2003 introduced the so-called Carbon Credit, which grants a payment of €45/ha to growers of energy crops, including crops grown for the production of biodiesel and bioethanol. The Carbon Credit is available for all agricultural crops except hemp, as long as they have a contract for approved energy uses. EU farmers cannot get Carbon Credit for energy crops on set-aside land.

The European Commission has proposed to extend the energy crop premium Carbon Credits to all New Member States (NMS) starting 2007. Currently 8 of the 10 NMS are excluded from this aid, since they apply the Single Area Payment Scheme (SAPS).

This aid for energy crops came into effect for the first time in 2004, when it was eligible in the EU15, Slovenia and Malta. The areas for which the direct payment for energy crops was claimed in the first two years was well below the maximum guaranteed area (MGA) of 1.5 million hectares. The total area in 2004 was around 300,000 ha (about 20 percent) and the total area in 2005 around 570,000 ha (38 percent). Preliminary data for 2006 shows that the strong growth continues and suggests the area could be 1.2-1.3 million ha.

Certain segments of energy crops do not benefit from either the set aside nor from the energy crop support system. The Commission estimates that around 24 percent of the rapeseed areas used for biodiesel in 2004/05, and 38 percent in 2005/06 did not apply for support. The most common reason for not applying is that the farmers don't consider the payment to be sufficient compensation for the extra administrative work, not to mention the loss of freedom and flexibility.

Although the €45/ha for having energy crops may not be so attractive in the EU15, in the NMS this payment can be a larger part of farmer income. In the NMS the direct payments are being phased in over a period of 10 years. During this period they receive only a certain percentage of the direct payments of the EU15. In 2007, the farmers in the NMS will receive only 40 percent of what the farmers in EU15 receive, and in 2008 they will receive 50 percent. This will make the support for Carbon Credits more attractive in the NMS.

The NMS account for around 30 million ha of arable land, which is about 30 percent of the EU25 total arable land. Taking into account the trends in the development of the area under energy crops between 2004-2006, and the fact that the revision of the CAP is scheduled to take place in 2008, one question is whether the present MGA would be enough to cover the demand in the years 2007-2008 without an overshoot of this MGS. An overshoot of the area would result in a reduction of the per hectare payment for energy crops.

Romania and Bulgaria will be considered as New Member States as of January 1 2007, and there farmers will have the same possibilities as the other NMS to apply for Carbon Credits.

With the conclusion of the sugar reform, sugar beet has become eligible for the aid of energy crops. This would also mean a potential increase in the area under energy crops. In the proposal the Commission proposes the MGA to be increased to 2 million ha.

**Visit our website:** our website <http://useu.usmission.gov/agri/> provides a broad range of useful information on EU import rules and food laws and allows easy access to USEU reports, trade information and other practical information.

E-mail: [AgUSEUBrussels@usda.gov](mailto:AgUSEUBrussels@usda.gov)

**Related reports from USEU Brussels:**

Report Number	Title	Date Released
E36102	Biofuels Annual	07/11/06
E36056	Import Duties for Biofuels	04/06/06
These reports can be accessed through our website <a href="http://useu.usmission.gov/agri/">http://useu.usmission.gov/agri/</a> or through the FAS website <a href="http://www.fas.usda.gov/scripts/attacherep/default.asp">http://www.fas.usda.gov/scripts/attacherep/default.asp</a> .		